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# Submission to the Productivity Commission's Philanthropy Inquiry – *Future Foundations for Giving (draft report)*

## February 2024

**Introduction**

The Queensland Catholic Education Commission (QCEC) is pleased to provide a submission in response the Productivity Commission's draft report *Future Foundations for Giving* as part of the Inquiry of Philanthropy in Australia.

QCEC is the peak strategic body with state-wide responsibilities for Catholic schooling in Queensland. This submission is provided on behalf of the five Diocesan Catholic school authorities and 17 Religious Institutes and other incorporated bodies which, between them, operate a total of 312 Catholic schools that educate more than 160,000 students in Queensland.

This submission focusses on Chapter 6 of the report *Reforming the Deductible Gift Recipient System* and in particular on recommendation 6.1 which recommends the withdrawal of Deductible Gift Recipient (DGR) status for school building funds.

While QCEC commends the Productivity Commission's aim to reform the DGR system to ensure greater benefits to the community, it does not agree that removing DGR status will achieve this intention. In fact, the removal of DGR status is very likely to decrease the levels of philanthropy rather than increasing charitable contributions which is the government's stated intention.

**Complexity of current Deductible Gift Recipient (DGR) system**

The Productivity Commission claims the current arrangements that determine which entities can access DGR status are not fit for purpose and that there is no coherent policy rationale for why certain charities are eligible for DGR status while others are not. It states that eligibility requirements can therefore inadvertently limit access for some smaller charities and that the complexity of the system continues to increase.

The Productivity Commission's proposed solution to this problem – to withdraw DGR status for certain charities – appears overly simplistic. QCEC would argue that the Productivity Commission appears to downplay the impact of this recommendation by claiming that '*only a few'* charities would be affected if this recommendation were implemented. While this might be true, QCEC is concerned that the Productivity Commission does not fully acknowledge the significant impact the withdrawal of DGR status would have on these affected charities/schools.

Singling out school building funds will not result in a less complex system and instead will have a significant impact on those schools and their school communities.

**Impact of removing DGR status of school building funds**

QCEC represents over 300 schools, some of which are standalone schools (schools run by Religious Institutes) while others are part of a system (diocesan schools). The extent to which Queensland Catholic schools rely on philanthropic gifts for their capital program varies between Religious Institute schools and diocesan schools.

Eligible non-government schools can apply for capital assistance from the Australian government and the relevant State Government. Queensland Catholic School Authorities can apply for capital assistance to QCEC as the Block Grant Authority (BGA) under the Commonwealth Capital Grants Program and the Queensland Government Capital Assistance Scheme. Under those programs, funding is allocated based on educational need ensuring that schools with no other means of accessing funds can apply for capital assistance to help fund refurbishment of existing facilities or construction of new structures as needed for educational purposes. It is however rare that government funding for capital works can fully cover project costs. Schools consequently have to self-fund all or large portions of the project cost. Moreover, the total capital funding pool is limited and does not cover the cost of building work upgrades for all schools, nor is there any differential for schools with heritage listed buildings.

Many Catholic schools in Queensland, in particular secondary colleges operated by Religious Institutes, rely heavily on philanthropy, goodwill and generosity of their communities to co-fund capital works programs through building funds. This reflects the fact that under the assessment criteria for capital funding, including the guidelines around capital financial contributions, these schools very rarely qualify for capital assistance and therefore rely entirely on the generosity of their school communities for the construction of capital works[1].[2]

Many of our Religious Institute schools have Foundations which are the means through which the schools can provide for the future needs of their students. Parents and school communities are encouraged to make voluntary donations to bursary programs and building programs. The tax-deductible contributions from parents provide an essential income stream, allowing schools to develop infrastructure that will ensure students are offered quality facilities while keeping increases in school fees to a minimum.

Removal of the DGR status from school building funds would put a large proportion of these schools' capital funding at risk. Donations to school building funds have made construction of essential capital infrastructure possible. In 2022 Queensland Catholic schools self-funded $330 million of capital work (86%) with building funds forming a significant source of that income in Religious Institute schools.

While the gifting tradition may be less well developed in smaller mid to low fee schools, they have had to increasingly rely on such contributions in recent years in light of new funding methodologies and limited access to capital grants. The removal of DGR status, with the likely reduction in philanthropy will result in schools having no choice other than to raise fees which will have a significant impact on equity of access and choice for families.

Parental choice to send their child/ren to a faith-based school irrespective of their socio-economic standing, is one of the strengths of the Australian education system. Anything that challenges this must be able to clearly demonstrate that the benefits outweigh the costs. This is particularly pertinent in the current economic climate with many families experiencing real cost-of-living pressures. Not only could adoption of the recommendation risk parental choice, but it would also add pressures on the government school sector.

[1] QCEC Capital Assistance Project Scoring Methodology (link)

[2] QCEC Capital Financial Contributions Guidelines (link)

**Net community benefits**

The draft report notes that the scope of the reformed DGR system should be based on the following principles:

- There is a rationale for Australian Government support because the activity has net community-wide benefits and would otherwise be undersupplied.
- There are net benefits from providing Australian Government support for the activity through subsidising philanthropy.
- There is unlikely to be a close nexus between donors and beneficiaries, such as the material risk of substitution between fees and donations.

QCEC would suggest that the draft recommendations afford insufficient recognition to the net community-wide benefit of schools. Schools (and therefore their infrastructure) provide a public benefit with education one of the key elements of a healthy economy and society. Additionally, most Catholic schools offer their facilities to the communities for use after school hours, including school halls, sporting facilities, chapels etc. Moreover, many Queensland Catholic schools have a proud history and are the custodians of heritage listed buildings with enormous cultural value to the wider community. The maintenance costs of heritage listed buildings is one element that Foundations and philanthropy have significantly contributed to.

Furthermore, recommendation 6.1 implies that there is a risk that donors to school building funds may attract and benefit from reduced school fees or other benefits. Queensland Catholic schools are meticulous in their management of building fund donations and have separate governance structures in place for their Foundations to ensure that donors do not receive private benefits for their donations. The Foundations are transparent in how donations are used and annual reports are usually published on school websites.

**Conclusion**

QCEC acknowledges the increase of government support for non-government schools over the course of the past 70 years, however it must be acknowledged that this increased funding does not meet the entire infrastructure needs of all schools in the Catholic education system in Queensland. The funding provided does not meet the ever increasing and evolving needs of schools in a rapidly changing educational landscape. Philanthropy has helped bridge this gap. The DGR provides an incentive for the philanthropy that supports some Catholic schools to maintain educational facilities.

If the current DGR framework is amended as proposed it is very likely that philanthropy will be impacted. QCEC respectfully requests that the Productivity Commission reviews its draft recommendations and gives fair and proper consideration to the impact recommendation 6.1 would have on philanthropy in the non-government school sector.

QCEC thanks the Productivity Commission for the opportunity to contribute to this critical discussion.

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